



AN ASSOCIATION OF
MONTANA HEALTH
CARE PROVIDERS

**Testimony to the Appropriations Joint Human Services Subcommittee
Pertaining to HB 645
Bob Olsen, MHA Vice President**

MHA, An Association of Montana Health Care Providers represents the interests of our member health care organizations, including hospitals, physicians, nursing facilities, home health agencies and hospice organizations. MHA member organizations urge your consideration of fully funding the Montana Medicaid program, and using federal stimulus dollars in the human services budget.

MHA established several priorities for the human services budget.

- MHA seeks adequate funds to protect the base funding for human services. We believe that stimulus funds help keep human service program funding stable for this biennium.
- MHA may develop a request for one time stimulus funding for capital projects.
- Annual rate increases that reflect current inflation. Enhanced FMAP can be used to make those increases more affordable, we support a strategy providing one time only rates adjustments. We ask the Committee to support a rate increase higher than the 1% per year approved in HB 2. The additional funding could be one time rate add-ons that match the duration of the period for enhanced federal match
- Maintain the integrity of the hospital bed tax, and pass HB 71 to remove the sunset.

HB 645 General Comments

MHA appreciates the effort put forward to balance the various competing interests for stimulus funds. There is \$155 million of general fund produced as a result of enhanced federal Medicaid match. But it appears that just \$60 million is retained specifically for Medicaid. MHA is concerned that too much funding is being moved out of human services and into other areas of the state budget. We support making sure human services are funded, and only then shift funds elsewhere.

HB 645, Section 2, Amendment to the Hospital Utilization Fee.

Due to the enhanced federal Medicaid match, hospitals could realize significantly higher supplemental payments in state fiscal years 09, 10 and 11. MHA has agreed in principal that state special revenue raised by the hospital tax could help provide funding for other priorities in the budget, with certain provisions.

Those provisions include an assurance that state special revenues will be retained in the budget to support the supplemental payments in amounts that would have occurred

absent federal stimulus dollars. MHA also expects that HB 71 will be enacted, and that no other measures will seek to divert additional state special revenues away from the hospital bed tax.

MHA has worked with Department staff to determine the appropriate funding to be retained in the state special revenue account, and the language included in a technical amendment that will be offered to the bill. . HB 2 may require a coordinating amendment to match the state special revenue figures adopted in HB 645, and the federal matching funds.

Legislators should also know that financial pressures are emerging on hospitals and other medical providers throughout the state. Hospitals are reporting significant reductions in patient treatment volumes for certain services – preventive care and discretionary surgery among them. But emergency room visits are increasing, and uncompensated care costs are growing as patients slow their payments to hospitals and physicians. We expect increased charity and bad debt costs at the same time our reserves and other income drops due to the slow economy.

Finally, we suggest lawmakers consider the language HB 645 be modified to provide an option to retain the unspent SSR in the state special revenue account throughout the biennium, and that the funds only be shifted if caseload requirements emerge for their use. Retaining the state special revenue apart from general fund by avoid the problem of creating a rainy day fund, or a general fund balance increase, and may provide greater flexibility for the federal stimulus funds.

HB 645 Amendments

Provider Rates

MHA would support amendments to HB 645 to provide increased general fund to support higher rate increases for provider rates. A rate increase should be at least equivalent to current medical inflation, and could be one-time-only funding.

FCC Telecommunications Grant

MHA requests that HB 645 be amended to provide \$500,000 of federal funds for a one-time-only grant to match a \$2 million FCC grant. The grant has already been approved, but requires a match in order to begin work. The grant is intended to create a secure internet superhighway to link hospitals, mental health centers and community health centers. This particular grant qualifies for a federal fund match. A more detailed description of this grant is attached for your information.

Thank you for the opportunity to share our comments with this Committee. I can be contacted at bob@mtha.org, or 457-8004.

The Federal Communications Commission (FCC) through its Rural Healthcare Pilot Program, recently awarded \$1,957,652 to the Frontier Access to Healthcare in Rural Montana (FAhRM), a collaborative partnership of Montana Healthcare Organizations for the development of a statewide telehealth infrastructure. The FAhRM project will be implemented by the Montana Health Research and Education Foundation (MHREF) and The Montana Healthcare Telecommunications Alliance (MHTA). The funding will allow the consortium to develop a statewide infrastructure (or "backbone") to connect all hospitals, mental health centers and community health centers through a secure, dedicated broadband healthcare network. The MHREF will provide operational management of the statewide project and MHTA, comprised of representatives and stakeholders of Montana's existing telehealth networks, will provide the advisory oversight of the statewide project.

The FCC funding is contingent on securing 15% matching funds as well as funding for administrative and personnel costs which are not covered under the FCC award. **A grant of \$500,000 would enable the consortium to meet the required cash match of \$300,000 as well as assist in covering administrative and personnel costs over the three-year project.** We are also seeking private funding to reach an overall project goal of \$2.8 M. Because the source of the FCC award is considered fee-based revenue, other federal and state dollars can be used to meet the match requirements.

The FCC pilot program will provide 85% of the costs associated with the construction of a state or regional broadband network. The FAhRM project will create an information "super highway" that will enable multiple applications such as telemedicine, radiology, electronic health records and other data services. It will also position all healthcare entities for the development of future applications as the Federal initiative to increase the use, availability and exchange of electronic health information expands to all corners of our rural and frontier state. This project is designed to enable small clinics and hospitals in remote areas to generate electronic health records, provide consultations with specialty physicians and improve overall quality of health care services.

Implementation of this new network will enable multiple applications to run over the network simultaneously. It will also position communities such as Ekalaka and Terry in the vast plains of eastern Montana and Philipsburg, Superior and Libby in the western mountains to participate in high definition videoconferencing and provide specialty consults to patients via televideo links with larger urban facilities. The development of future healthcare applications and regional telecommunications networks will also be greatly enhanced. Patients of physician clinics, hospitals and other health care facilities in remote parts of Montana will be the primary beneficiaries of these services.

FAhRM is a three year project which has already started. Currently (in the project's first year), a network design study is being conducted to develop the most cost effective, scalable and reliable network that will support the exchange of telehealth applications for all Montana communities. Years two and three of the project will be dedicated to the implementation of the infrastructure identified through the design study. For the initial phase of the project, the 15% match has already been committed by the Foundations of Benefis Healthcare in Great Falls, Billings Clinic in Billings, Bozeman Deaconess Hospital in Bozeman, Community Medical Center in Missoula, Kalispell Regional Medical Center in Kalispell, St. Patrick Hospital in Missoula and St. Vincent Healthcare in Billings.

Should you require additional information, please feel free to contact Joan Miles, Director of MHREF at phone (406) 457-8015, or email joan@mtha.org or Jack King, President of MHTA at phone (406) 455-4285 or email kingjacw@benefis.org.